Ministry of Finance

Province of Ontario

Annual Report and Financial Statements

2001-2002

103-01428

To The Honourable
James K. Bartleman
Lieutenant Governor of Ontario

May It Please Your Honour:

The undersigned has the honour to present to Your Honour the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2002, in accordance with the requirements of the *Ministry of Treasury and Economics Act.*

Respectfully submitted,

Honourable Janet Ecker
Minister of Finance
Toronto, November 2002

Minister of Finance's Report

It is with pleasure that I present the 2001–2002 Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2002.

To assist readers, the organization and content of the Public Accounts is described in *"A Guide to the Public Accounts"* on page 9 of this volume.

Comments or general enquiries will be welcomed and should be directed to the Office of the Provincial Controller, Ministry of Finance.

Honourable Janet Ecker
Minister of Finance
Toronto, November 2002

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A Guide to the Public Accounts

The 2001–2002 Public Accounts of the Province of Ontario comprise the Annual Report and three volumes:

The **Annual Report** presents the financial statements of the Province of Ontario, provides financial and economic highlights of the past year, and reports on performance against the goals set out in the Budget.

Volume 1 contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund schedules reflect the financial activities of the government's ministries on a modified cash basis of accounting.

Volume 2 contains the financial statements of significant provincial corporations, boards and commissions that are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains the details of expenditure and the Ontario Public Service senior salary disclosure.

Message from the Minister of Finance

The Honourable
Janet Ecker
Minister of Finance

I am pleased to present the 2001-2002 Public Accounts and the Annual Report of the Province of Ontario, which highlight this government's economic performance and financial achievements.

The global economic slowdown in 2001-2002 presented challenges in Ontario. Because Ontario's economy is open and trade-oriented, we were affected by the international slowdown. For the 2001 calendar year, Ontario's real GDP rose 1.1 per cent, down from 5.5 per cent growth in 2000.

Despite it being a challenging year, our government continued to focus on prudent fiscal management to promote new growth and new jobs.

The government recorded its third consecutive surplus in 2001-2002, the first time in nearly 100 years that Ontario has achieved three consecutive surpluses. And in June 2002, we tabled budget projections for another balanced budget. We continue to focus on responsible management while investing in the priorities that are important to the people of Ontario – health care, our schools, and a clean and safe environment.

Our government believes in an economic plan that supports growth. In 2001-2002, despite the global slowdown, consumer spending grew by 2.0 per cent, and Ontario's housing market remained robust, with residential construction advancing 3.1 per cent. Economic indicators are pointing to stronger growth in 2002.

Our government also recognizes the importance of being accountable to the people of Ontario by spending their tax dollars wisely.

To help ensure the efficient and effective use of taxpayer's money, and a more accountable government, we will improve the government's accounting and budgetary processes. New initiatives include: incorporation of zero-based budgeting principles for every ministry's business plan; a government-wide review to identify resources for redirection in priority areas; and the reporting of capital assets in the same way businesses do to determine the true cost of services.

A provisional adjustment has been made to account for the federal government's failure to properly calculate the personal income taxes that it collected and remitted on Ontario's behalf for 2001-02 and prior years. The federal government has also determined that future payments to Ontario will be less than the Province is entitled to.

The Province continues to argue that it is wrong for the federal government to punish Ontario taxpayers for its own mistakes. Furthermore, Ontario reserves the right to seek redress from the federal government for its handling of this issue, and we reserve the right to pursue a solution which ensures that the impact of the federal government's error on the services that Ontarians value is minimal.

Our government will continue to focus on measures to ensure that Ontario can weather the challenges ahead. While global economic forces will always have some effect on the provincial economy, our government will continue to ensure that sound fundamentals are in place to promote growth and prosperity.

We will continue to focus on the priorities of the people of Ontario to ensure that our province continues to be the best place to live, work and raise a family.

Thank you.

The Honourable Janet Ecker
Minister of Finance

The Year in Review

With a surplus of $375 million for 2001-02, the Province recorded a surplus for the third consecutive year. The Province has now met or exceeded its deficit and debt-reduction targets for seven years in a row.

To help ensure Ontario's fiscal position remains secure, the Government introduced and the Legislature passed the *Taxpayer Protection Act* and the *Balanced Budget Act*, in December of 1999.

In the 2000 Ontario Budget the government made a commitment to reduce Net Provincial Debt by at least $5 billion during the current term of office. Net Provincial Debt, prior to provisional adjustment for Canada Customs and Revenue Agency (CCRA) error and accounting changes, has been reduced by $4.5 billion over the past three years, an amount representing more than 90 per cent of the government's debt-reduction commitment.

Despite the economic slowdown in 2001, Ontario made a contribution of $444 million to debt reduction during the 2001-02 fiscal year.

2001–02 Fiscal Highlights

($ Millions)	2001-02	2000-01[1]
Revenue	**63,886**	63,824
Expenditure	**63,442**	61,940
Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers[2]	**(69)**	18
Surplus	**375**	1,902
Net Impact of Provisional Adjustment for CCRA Error; and Accounting Changes		1,423
Surplus - Before Provisional Adjustment for CCRA Error; and Accounting Changes		3,325

1 Restated for the provisional adjustment for CCRA error; and accounting changes. See Note 2 to the financial statements for more detail.

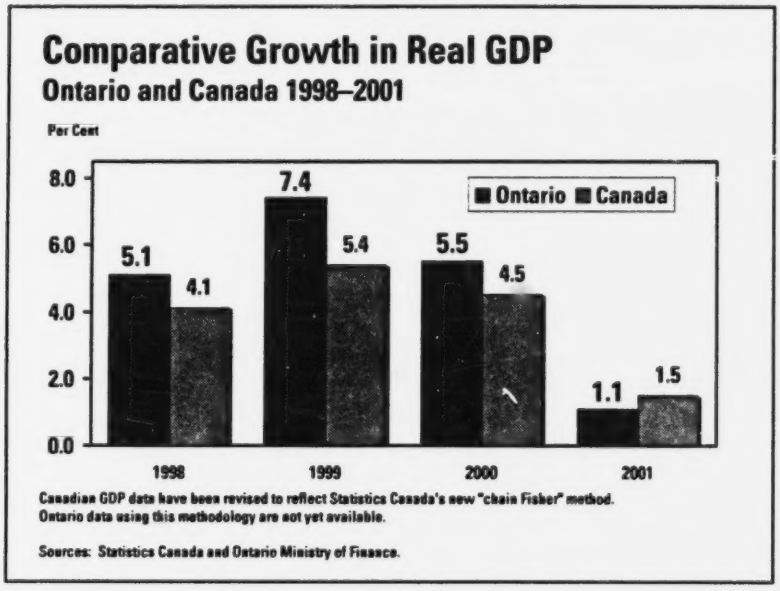
2 See Notes 2 and 6 to the financial statements.

Economic Highlights

Real Gross Domestic Product (GDP) Growth

For calendar year 2001, the Ontario economy recorded slower economic growth, with real GDP rising 1.1 per cent, following robust 5.5 per cent growth in 2000.

Economic growth in 2001 was maintained by a healthy gain in real consumer spending and a robust housing performance. The major sources of weakness were the large inventory liquidation that occurred throughout 2001 and reduced investment by business in 2001. Real exports declined by 2.9 per cent while import volumes dropped 5.3 per cent.



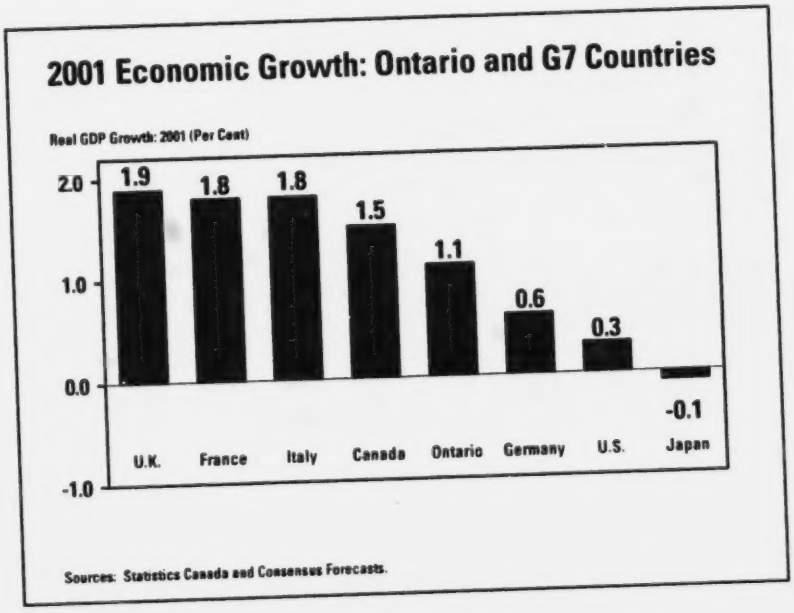
Consumer spending grew by 2.0 per cent in real inflation-adjusted terms in 2001, a slower pace of growth than had occurred over the previous four years. Ontario's housing market however remained strong in 2001 with residential construction advancing 3.1 per cent.

With imports falling faster than exports, Ontario's real trade balance, measured in 1997 dollars, widened to a record $54.7 billion in 2001, up $4.7 billion from 2000.

Faced with reduced demand, Ontario businesses cut inventories sharply in 2001. The draw down in stocks, the first since 1996, was a major factor contributing to slower growth in 2001.

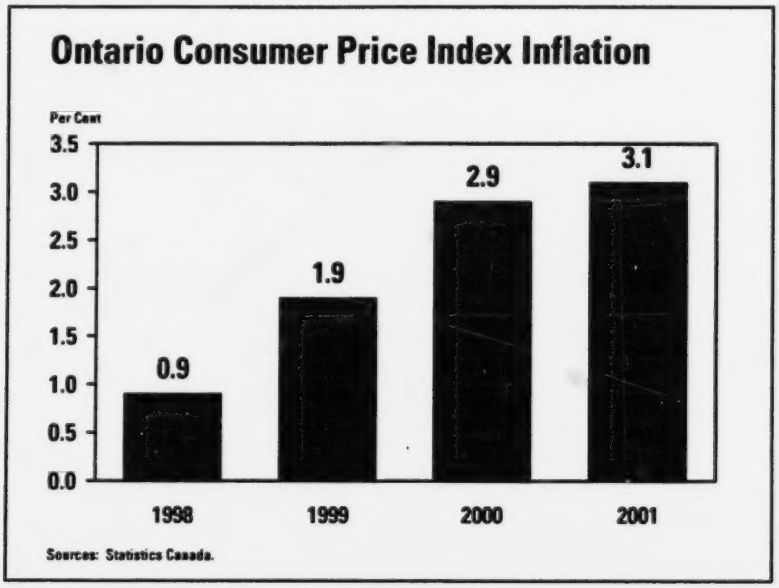
Another area of weakness was real business plant and equipment investment which declined 3.1% in 2001, with machinery and equipment outlays falling 4.1%.

The global slowdown reduced real GDP growth in all G-7 major industrial countries in 2001.



Consumer Price Index Inflation

Ontario's inflation rate, as measured by the changes in the consumer price index (CPI), was 3.1 per cent in 2001, up 0.2 percentage points from the 2000 inflation rate of 2.9 per cent. Increased energy prices were key factors exerting upward pressure on Ontario's 2001 inflation rate.

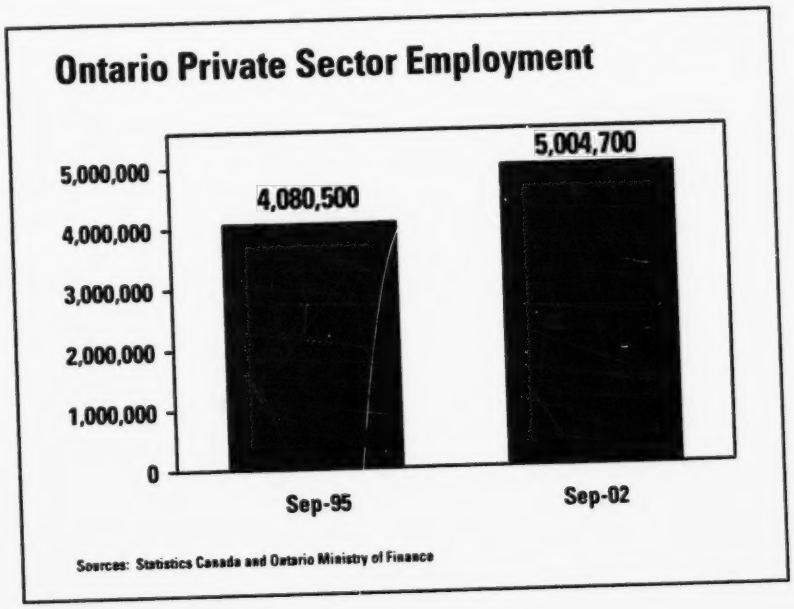


Employment

Since the September 1995 Throne Speech, Ontario's private sector has created 924,200 net new jobs.

Total employment, including the public sector, has risen by 987,700 over the same period. The largest gains in employment were in the manufacturing sector with 256,800 new jobs, followed by wholesale and retail trade with 154,800 new jobs and professional scientific and technical services with 133,500 new jobs.

During 2001, on an average annual basis, 90,600 net new jobs were created economy-wide. Since September 1995, the unemployment rate has fallen 1.1 percentage points from 8.4 per cent to 7.3 per cent.



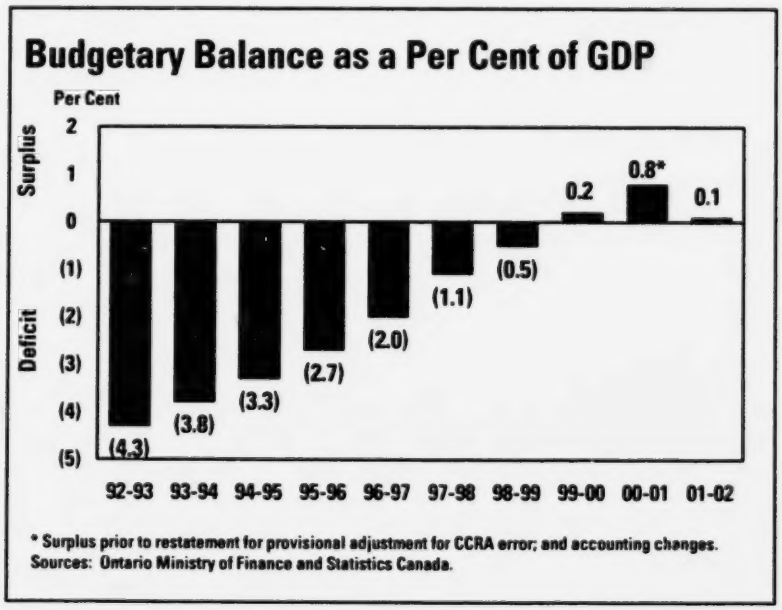
Fiscal Highlights Overview

Budgetary Balance

In 1999-2000 Ontario recorded a $668 million surplus, balancing the budget one full year ahead of the schedule laid out in the government's Balanced Budget Plan. With a surplus of $3,325 million, before the provisional adjustment for CCRA error and accounting changes, in 2000-01 and a surplus of $375 million for 2001-02, Ontario has now achieved three consecutive surpluses for the first time in nearly 100 years.

The deficit as a share of the economy peaked at 4.3 per cent in 1992-93. With a Provincial surplus in 1999-2000, 2000-01 and 2001-02 and a legislated commitment to balanced budgets, the deficits of the past will not be repeated.

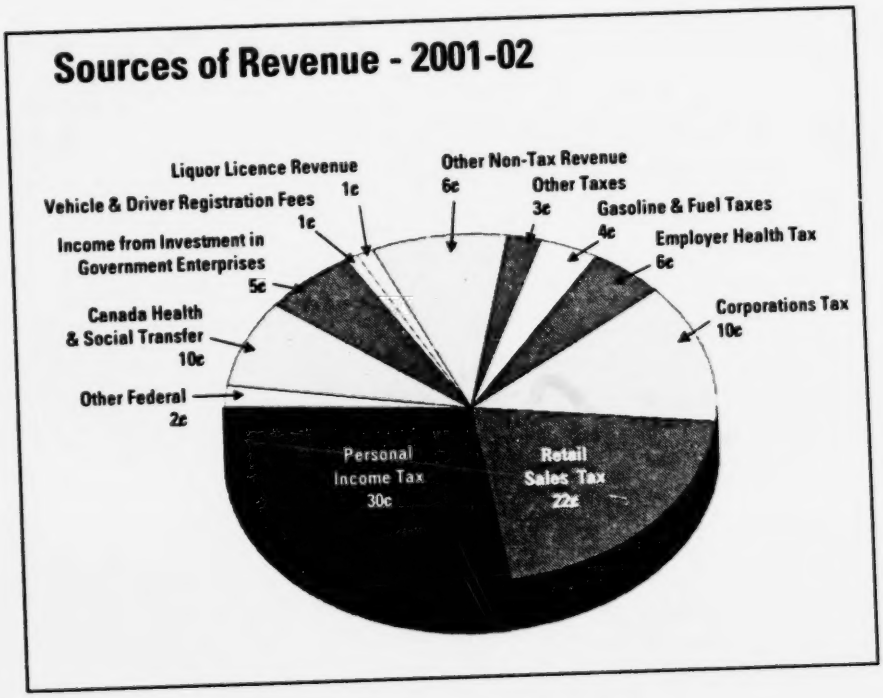
Ontario's 2001 Budget Plan included a $1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. With economic growth slower than projected and consistent with the role of the reserve in prudent budgeting, a portion of the $1 billion reserve was allocated to ensure the balanced budget target was met for 2001-02, while still allowing for $444 million in net provincial debt reduction.



Revenue Highlights

Total revenue was $63,886 million in 2001–02. This represents an increase of $62 million from the restated 2000-01 total revenue.

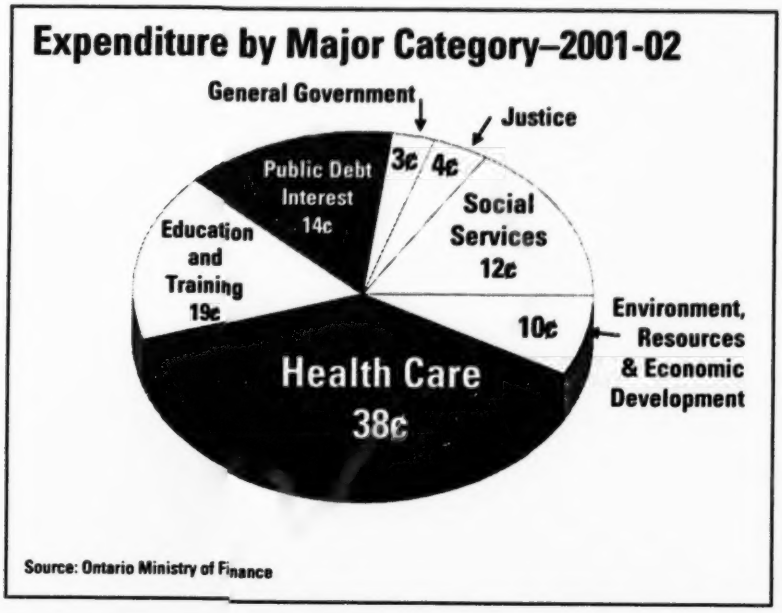
Taxation revenue in 2001-02 was $931 million below the restated 2000-01 levels mainly due to the impact of slower-than-expected economic growth on taxation revenues. Income from Investment in Government Business Enterprises in 2001-02 was $510 million lower than the restated 2000-01 level mainly due to lower net income of Ontario Power Generation. Other Revenues in 2001-02 were $122 million lower than in 2000-01. These decreases combined for a total of $1,563 million, which was less than the increase in Federal Payments of $1,625 million, leading to an overall increase of $62 million in total revenue in 2001-02.


Sources of Revenue - 2001-02
Liquor Licence Revenue 1¢
Other Non-Tax Revenue 6¢
Other Taxes 3¢
Gasoline & Fuel Taxes 4¢
Vehicle & Driver Registration Fees 1¢
Employer Health Tax 6¢
Income from Investment in Government Enterprises 5¢
Corporations Tax 10¢
Canada Health & Social Transfer 10¢
Other Federal 2¢
Personal Income Tax 30¢
Retail Sales Tax 22¢

Expenditure Highlights

Total expenditure in 2001-02, at $63,442 million, was $1,502 million higher than the restated 2000-01 level of $61,940 million. This increase was mainly due to higher health care and education expenditures.

About 69 per cent of total Provincial expenditure is related to social programs spending, including health, education and social services. Interest on Ontario's outstanding debt accounted for another 14 per cent of expenditure. Environment, resources and economic development, justice and general government and other expenditure accounted for the remaining 17 per cent.



CCRA Error and Accounting Changes

Accounting policies and practices must constantly evolve to reflect changing conditions and approaches. Changes are made to accounting policies in order to conform to new PSAB recommendations or to more appropriately present events or transactions in the financial statements. Changes are also made to correct any errors in a prior period statement. Unlike revisions of estimates, proper accounting treatment requires that a change in an accounting policy or correction of an error be applied retroactively to prior years' results. Both types of accounting changes were made in the 2001-02 financial statements and the results for fiscal year 2000-01 were restated.

CCRA Error

In January 2002, the Canada Customs and Revenue Agency ("CCRA"), an agent of the Crown in right of Canada ("Canada"), announced that it had failed to properly calculate the personal income taxes that it collects and remits to the provinces as agent for Canada under the Tax Collection Agreement between Canada and most provinces of Canada, including the Crown in right of Ontario ("Ontario"). This failure was announced by CCRA to affect the amounts remitted by CCRA under the Tax Collection Agreement for tax years starting, at least, in 1993.

Ontario has relied in good faith upon the methods by which those personal income taxes were collected and remitted, including the methods used by Canada and CCRA to calculate the amounts to be remitted to Ontario since Ontario entered into the Tax Collection Agreement in 1962.

Even though CCRA or Canada, or both of them, are responsible for this failure, CCRA and Canada have determined that the amount of future remittances of personal income taxes assessed for Ontario, under Ontario law, will be less than taxes assessed for Ontario and collected by CCRA for Ontario in order to adjust for Canada's and CCRA's failure.

Ontario disagrees with the position taken by CCRA and Canada on this matter. However, the province has accounted for the CCRA error in a manner that is consistent with prudent accounting policies and practices.

The manner in which the province has accounted for CCRA's and Canada's failure in allocation of personal income taxes to Ontario is without prejudice to any claim, demand, application, action, representation, legal proceeding or other such statement or step as may be taken by Ontario against CCRA, Canada, or both of them, in respect of this specified failure. Furthermore, the content of the Public Accounts of Ontario presented herein do not estop Ontario from instituting any claim, application, action or other legal proceeding against CCRA, Canada, or both of them, or from making any such demand, representation or such other statement in respect of this failure by CCRA, Canada, or both of them.

In addition, nothing in the Public Accounts of Ontario estops Ontario from making any claim, demand, application, action, negotiation, representation, legal proceeding or other such statement or step as may be taken by Ontario in respect of any other matter in the collection and remission of personal income taxes by CCRA or Canada to Ontario and the Public Accounts of Ontario are therefore presented without prejudice to any such claim, demand, application, action, representation, legal proceeding or other such statement or step as may be taken by Ontario against CCRA, Canada, or both of them.

In his 1999 Annual Report the Provincial Auditor of Ontario commented on certain problems with the Tax Collection Agreement between the Federal Government and the provinces. Specifically he made the following two points:

"For the last three completed taxation years, in-year personal income tax cash flows to Ontario, which were based on revenue forecasts, were much less than the amounts collected by Revenue Canada for each of those years. We estimated that the province's interest costs associated with these tax flow deficiencies totalled $189 million for those years."

And

"The federal government also does not share with Ontario the interest and penalties revenue received in excess of bad debts written off from Ontario personal income tax payers. The Ministry estimated that the federal benefit from retaining this net revenue could exceed $50 million per year."

Accounting Policy Changes

The Public Sector Accounting Board (PSAB) issued new accounting recommendations for retirement benefits in September 2001. Under the new policy, the cost of plan amendments is effectively amortized by offsetting it against any unamortized gains, instead of being recorded in the year in which the plan amendment is approved. Another major change is the recognition of retirement benefits other than pensions (e.g. medical, dental) in the year that these benefits are earned by employees, instead of when the benefits are paid out to retirees. Ontario Power Generation Inc. (OPG), which is accounted for by the province as a government business enterprise, also changed their accounting policy for retirement benefits and restated their prior year's numbers. This resulted in a corresponding change for the province.

Both these changes had the overall effect of reducing the surplus for 2000-01 from $3,325 million to $1,902 million and increasing Net Provincial Debt at March 31, 2001 from $110,634 million to $112,480 million. Additional details on the accounting changes can be found in Note 2 to the Financial Statements.

Net Provincial Debt Before and After Provisional Adjustment for CCRA Error; and Accounting Changes

The government set a target to reduce Net Provincial Debt by $5 billion over its term of Office. Since April 1, 1999, the accumulated contribution to reduction of Net Provincial Debt, before taking into account the impact of the provisional adjustment for CCRA error and the change in accounting for retirement benefits was $4.5 billion or more than 90 per cent of its commitment.

Change in Net Provincial Debt
($ millions)

Net Provincial Debt at April 1, 1999		**$114,737**
Less: Annual Surpluses (before Provisional Adjustment for CCRA Error; and Accounting Changes)		
1999 - 2000	(668)	
2000 - 2001	(3,325)	
2001 - 2002	(375)	
		(4,368)
Add/(Less) : Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring [1] (before Accounting Changes)		
1999 - 2000	(354)	
2000 - 2001	244	
2001 - 2002	(69)	
		(179)
Reduction in Net Provincial Debt before Provisional Adjustment for CCRA Error; and Accounting Changes		**(4,547)**
Provisional Adjustment for CCRA Error [2]	2,043	
Accounting Changes [3]	(197)	
		1,846
Reduction in Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes		**(2,701)**
Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes, at March 31, 2002		$112,036
Net Provincial Debt, Before Provisional Adjustment for CCRA Error; and Accounting Changes, at March 31, 2002		**$110,190**

1 Increase (decrease) in Stranded Debt from Electricity Sector Restructuring - included in the province's annual Surplus, but excluded from Net Provincial Debt as it is included in the Stranded Debt from Electricity Sector Restructuring balance.

2 Provisional Adjustment for CCRA Error - Claim by the Federal Government to recapture Personal Income Tax as a result of their error.

3 Retirement Benefits - Accounting policy change in accordance with new PSAB accounting recommendations.

Future Accounting Changes

Tangible Capital Assets

The province is changing its method of accounting for tangible capital assets, effective April 1, 2002. The cost of acquiring or constructing tangible capital assets (also referred to as "fixed assets") is currently recorded as an expenditure in the year the assets are acquired or constructed. This differs from the private sector treatment whereby the cost of the asset is "capitalized", i.e., reflected as an asset on the balance sheet and amortized (or allocated to expense) over the useful life of the asset. This change will be reflected in the financial statements for 2002-03.

Only the province's land, buildings, and transportation infrastructure, which represent more than 90% of the owned tangible capital assets of the province, are initially included under the new accounting policy. Other owned capital assets will continue to be expensed in the year of acquisition until the Province's new integrated financial information system is in place. Capital transfer payments will continue to be recorded as expenditures.

Appropriations on an Accrual Basis of Accounting

Legislative spending authority and appropriation control will change from the modified cash basis of accounting to accrual accounting, effective April 1, 2003. This change will put the province's financial statements, budget and estimates on the same basis of accounting.

Public Accounts

Legislative changes have been made effective April 1, 2003 defining the Public Accounts as the Annual Report (including the Financial Statements and Provincial Auditor's Opinion) and requiring it to be tabled within 180 days of year-end. This will ensure a more timely release of Public Accounts. Supplementary information including Volumes 1 to 3 can be issued at a later date. The contents of the Annual Report will also be revised to incorporate expected recommendations from PSAB on financial statement discussion and analysis.

2001-02 Revenue Performance

Total revenue in 2001–02 was $384 million below the level projected in the 2001 Budget. Taxation revenues, adversely affected by the economic slowdown in the latter half of 2001, were $1,182 million below forecast. The major tax revenues were all below forecast with the exception of Personal Income Tax (PIT) revenues which were $1,087 million above forecast because of higher-than-projected income levels and $438 million in one-time revenue to reflect higher 2000–01 PIT revenues than estimated and reported in the 2000–01 Public Accounts. Corporations Tax revenues were $1,694 million below forecast, Retail Sales Tax revenues fell short by $537 million, and Employer Health Tax revenues were $118 million lower. All other tax revenues were $80 million higher largely due to Preferred Share Dividend Tax and Tobacco Tax.

Income from Government Business Enterprises was $79 million below projection primarily due to lower-than-expected net income from Ontario Power Generation, partially offset by an increase in Ontario Lottery and Gaming Corporation net income. Federal Payments were $395 million above the 2001 Budget projection mainly due to higher than forecast Canada Health and Social Transfer Payments. Other Revenues were $482 million higher than forecast primarily due to an increase of $251 million in the reported revenues of the Independent Electricity Market Operator (IMO), consistent with prior year's Public Accounts disclosure (offset by a corresponding increase in expenditure).

Summary of In-Year Changes to Revenue in 2001-02
($ Millions)

Taxation Revenue		
Personal Income Tax	1,087	
Retail Sales Tax	(537)	
Corporations Tax	(1,694)	
Employer Health Tax	(118)	
All Other	80	
Total Taxation Revenue		(1,182)
Federal Payments		395
Income from Government Enterprises		(79)
Other Revenue		482
Total In-Year Revenue Changes		(384)

Summary of In-Year Changes to Expenditure

Total provincial government expenditure at $63,442 million in 2001-02 was $172 million above the level projected in the 2001 Ontario Budget Plan. This increase was mainly due to increased in-year funding for investments in health care, higher pension expenditures and the revised expenditure impact of some consolidated government organizations, partially offset by lower Public Debt Interest costs and underspending in other areas.

Major Sources of Change in Expenditure from the 2001 Ontario Budget Plan

- Extraordinary one-time costs of $319 million contributed to the increase in the Ministry of Agriculture and Food expenditure of $307 million, mainly due to higher-than-expected crop insurance payments to farmers resulting from poor weather conditions, as well as payments to producers facing depressed market prices. These extraordinary costs were partially offset by $184 million in higher revenue, mainly from crop insurance reinsurance recoveries and payments from the federal government.

- Teacher's Pension Plan expenditure increased by $272 million in-year from the 2001 Ontario Budget Plan because of updated information and implementation of new Public Sector Accounting Board recommendations on accounting for joint pension plans.

- On January 1, 2002 the assets and liabilities of GO Transit were returned to the Province. This resulted in increased expenditure of $293 million, fully offset by increased revenues.

- Health care spending increased by a net $232 million in-year. An increase of $464 million, primarily for hospitals, cancer care, public health, emergency health services and Canadian Blood Services to address the rising cost of caring for patients and the delivery of much needed services, was partially offset by operating savings of $232 million from delays in implementation of new long-term care beds and primary care, as well as lower than expected growth in drug programs.

- Reported expenditure related to the Independent Electricity Market Operator (IMO) increased $251 million in-year to be consistent with prior year's Public Accounts disclosure. A corresponding increase of $251 million was reported under Revenues.

- Public Debt Interest costs were down $286 million from the 2001 Budget Plan projection of $9,315 million due to lower-than-expected interest rates and cost-effective debt management.

- Spending on Municipal Partnerships Initiatives (Millennium Partnerships, Ontario Small Town and Rural Development [OSTAR], and Sports, Culture and Tourism Partnerships) was $171 million less than planned due to unanticipated delays in formalizing multi-government approvals and finalizing contract agreements for municipal infrastructure projects.

- Reduced student demand, lower interest rates and recent changes to the way the government delivers the Student Support Program in the post-secondary education sector, including income and credit verification processes, as well as reduced defaults on student loans, resulted in savings in-year of $93 million.

Borrowing and Debt Management

2001-02 Borrowing Program

The Province's long-term public borrowing program for 2001-02 was $12.3 billion. This borrowing was undertaken to refinance maturing debt, early bond redemptions and adjustments for non-cash items included in the surplus.

The Canadian dollar market remained Ontario's primary source of funds. Of the $12.3 billion in long-term public borrowing, $10.3 billion was borrowed from the Canadian dollar market and $2.0 billion from the U.S. dollar market. Ontario residents invested $4.2 billion in the seventh Ontario Savings Bond campaign.

Debt Management

The Ontario Financing Authority (OFA) manages debt on behalf of the Province and the Ontario Electricity Financial Corporation (OEFC).

Prudent debt management is vital to the government's overall debt reduction efforts. Several key principles guide the Province's debt management activities, including managing debt with a view to ensuring cost-effectiveness and stability of long-term borrowing costs, maintaining a smooth maturity profile through term selection, and limiting Ontario's exposure to currency and interest rate fluctuations. Net Provincial Debt, before provisional adjustment for CCRA error and accounting changes, stood at $110.2 billion on March 31, 2002.

For more details on risk management and derivative financial instruments, please refer to Note 4 in the Financial Statements and the Financial Statements of the OEFC detailed in Volume 2 of Public Accounts.

Five-Year review of Selected Financial and Economic Statistics

($ Millions)

	1997-98	1998-99	1999-00	2000-01[1]	2001-02
Revenue	52,518	55,786	62,931	63,824	63,886
Expenditure					
Programs and Capital	46,160	48,696	52,201	52,493	54,413
Interest on Provincial Purpose Debt	8,729	9,016	8,977	8,896	8,509
Interest on Debt Issued for Investment in Electricity Sector			520	520	520
Restructuring	1,595	76	211	31	
Total Expenditure	56,484	57,788	61,909	61,940	63,442
Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers[2]			(354)	18	(69)
Surplus/(Deficit) after Provisional Adjustment for CCRA Error; and Accounting Changes	(3,966)	(2,002)	668	1,902	375
Accounting Changes[3] (included above):					
Provisional Adjustment for CCRA Error				**713**	
Retirement benefits				**484**	
Adjustment to decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers[2]				**226**	
Net Impact of Provisional Adjustment for CCRA Error; and Accounting Changes[3]				**1,423**	
Surplus/(Deficit) - Before Provisional Adjustment for CCRA Error; and Accounting Changes	**(3,966)**	**(2,002)**	**668**	**3,325**	**375**
Ontario's Net Provincial Debt					
Debt Issued for Provincial Purposes	101,982	105,133	106,137	105,793	107,592
Debt Issued for Investment in Electricity Sector			8,885	8,885	8,885
Province of Ontario Savings Office	2,245	2,517	2,812	2,482	2,438
Other Liabilities[4]	21,995	19,237	19,403	17,786	14,661
Total Liabilities for Provincial Purposes	126,222	126,887	137,237	134,946	133,576
Less: Financial Assets	(13,487)	(12,150)	(23,522)	(22,466)	(21,540)
Net Provincial Debt	**112,735**	**114,737**	**113,715**	**112,480**	**112,036**
Accounting Changes[3] (included above):					
Provisional Adjustment for CCRA Error				**(2,043)**	
Retirement Benefits				**197**	
Net Impact of Accounting Changes[3]				**(1,846)**	**(1,846)**
Net Provincial Debt - Before Provisional Adjustment for CCRA Error; and Accounting Changes	**112,735**	**114,737**	**113,715**	**110,634**	**110,190**

1 2000-01 Revenue, Expenditure , Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring and Surplus, and Net Provincial Debt at April 1, 2000 have been restated for accounting changes.

2 Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring - included in Province's annual Surplus, but excluded from Net Provincial Debt as it is included in the Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers balance.

3 Details of accounting changes can be found in Note 2 to the Financial Statements.

4 Other Liabilities include Accounts Payable and Accrued Liabilities, Retirement Benefits and Provision for Electricity Sector.

Financial Statements

Introduction to the Financial Statements of the Province of Ontario

The financial statements of the Province of Ontario include the following:

- a statement of the government's responsibilities for preparing the financial statements and for maintaining systems of financial management and internal control;
- the Provincial Auditor's report on the financial statements;
- the Statement of Revenue, Expenditure and Net Debt, showing revenues generated from taxes and other sources less expenditures incurred during the year;
- the Statement of Financial Position, showing debts for past operations that will require payment from future resources less financial resources that are available to pay debts or provide future public services;
- the Statement of Cash Flows, identifying financial resources used during the year to provide for operations and sources of financing made available for operations; and
- the notes and schedules to the financial statements, which form an integral part of the financial statements and provide further explanatory information and detail on the items contained in the various statements. A summary of the significant accounting policies that underlie the recording and disclosure of the financial activities of the Province in these financial statements is included in the notes.

Basis of Government Accounting

The financial statements reflect the implementation of accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the *CICA Handbook* for private and public sector corporations in Canada.

Financial Statement and Budgetary Accounting—Modified Accrual Basis

On a modified accrual basis, financial transactions are recognized as they occur rather than when cash is received or paid. Revenues are recognized when earned, financial assets when acquired, expenditures when incurred, and the costs of tangible capital assets are recognized as expenditures when these assets are acquired or constructed.

Appropriation Control Accounting—Modified Cash Basis

Spending estimates for approval by the Legislature are prepared on a modified cash basis, a basis of accounting different from that used in preparing the financial statements. Consequently, the modified cash basis is used in Volumes 1 and 3 of the Public Accounts of Ontario in accounting for spending under authorities of the Legislature.

On the cash basis, revenues are recognized when cash is collected and expenditures are recognized when cheques are issued or cash is disbursed. The cash basis of accounting used by the Province is modified to allow for an additional 30 days to pay for and record goods and services received during the fiscal year just ended and for certain non-cash transactions.

In accordance with the *Keeping the Promise for Growth and Prosperity Act (2002 Budget) 2002*, legislative spending authority and appropriation control will convert to the accrual basis of accounting effective April 1, 2003.

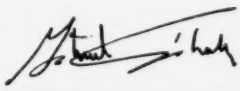
Statement of Responsibility for the Financial Statements

The financial statements are prepared by the Government of Ontario in compliance with legislation, and in accordance with accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the *CICA Handbook* for private and public sector corporations in Canada. The government accepts responsibility for the objectivity and integrity of the financial statements.

The government is also responsible for maintaining systems of financial management and internal control to ensure with reasonable certainty that the transactions recorded in the financial statements are within statutory authority, assets are properly safeguarded and financial records are reliable in preparation of these financial statements.

The financial statements have been audited by the Provincial Auditor of Ontario and his report follows.

Dr. Robert Christie
Deputy Minister
September 10, 2002



Gabriel F. Sékaly
Assistant Deputy Minister
September 10, 2002

Robert Siddall, CA
Provincial Controller
September 10, 2002

Auditor's Report

To the Legislative Assembly of the
Province of Ontario

I have audited the statement of financial position of the Province of Ontario as at March 31, 2002 and the statements of revenue, expenditure and net debt and of cash flows for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants. As required by section 12 of the *Audit Act*, I also report that, in my opinion, after the restatements explained in Note 2 to these financial statements, these accounting principles have been applied, in all material respects, on a basis consistent with that of the preceding year.

Erik Peters

Toronto, Ontario
September 10, 2002

Erik Peters, FCA
Provincial Auditor

Province of Ontario

Statement of Revenue, Expenditure and Net Debt

For the year ended March 31 ($ Millions)	Budget[1] 2002	Actual 2002	Actual 2001 Restated
Revenue (Schedule 1)			
Personal Income Tax (Note 2)	18,010	**19,097**	17,911
Retail Sales Tax	14,340	**13,803**	13,735
Corporations Tax	8,340	**6,646**	9,200
Employer Health Tax	3,620	**3,502**	3,424
Gasoline and Fuel Taxes	2,955	**2,851**	2,820
Other Taxes	1,555	**1,739**	1,479
Total Taxation	48,820	**47,638**	48,569
Government of Canada	7,359	**7,754**	6,129
Income from Investment in Government Business Enterprises (Schedule 7)	3,424	**3,345**	3,855
Other Revenue	4,667	**5,149**	5,271
	64,270	**63,886**	63,824
Expenditure (Schedules 2 and 3)			
Health and Long-term Care	23,876	**24,108**	22,993
Education, Training, Colleges and Universities	11,673	**11,710**	10,986
Community and Social Services	7,794	**7,773**	7,634
Interest on Provincial Purpose Debt	8,795	**8,509**	8,896
Environment, Resources and Economic Development	5,463	**6,144**	6,355
Justice	2,683	**2,718**	2,598
General Government	2,462	**1,960**	1,695
Interest on Debt Issued for Investment in Electricity Sector (Note 5)	520	**520**	520
Provision for Electricity Sector (Notes 2 and 6)	4	**-**	263
	63,270	**63,442**	61,940
Reserve	1,000		
Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (Notes 2 and 6)	140	**(69)**	18
Surplus after Provisional Adjustment for CCRA Error; and Accounting Changes (Note 2)	140	**375**	1,902
Balance, End of Year			
Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes (Note 2)		**112,036**	112,480
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (Notes 2 and 6)		**20,085**	20,016
Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers after Provisional Adjustment for CCRA Error; and Accounting Changes (Note 2)		**132,121**	132,496

See accompanying Notes and Schedules to the Financial Statements.

[1] Fiscal plan for the year ended March 31, 2002 per 2001 Ontario Budget.

Province of Ontario

Statement of Financial Position

As at March 31 ($ Millions)	2002	2001 Restated
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 4)	10,640	12,159
Debt Issued for Provincial Purposes (Note 3)	107,592	105,793
Debt Issued for Investment in Electricity Sector (Notes 5 and 6)	8,885	8,885
Deposits with the Province of Ontario Savings Office (Note 7)	2,438	2,482
Retirement Benefits (Notes 2 and 8)	1,785	2,717
Other Liabilities (Note 9)	1,712	2,264
Provision for Electricity Sector (Notes 2 and 6)	524	646
	133,576	134,946
Financial Assets		
Cash and Temporary Investments (Note 10)	5,727	5,920
Accounts Receivable (Schedule 5)	2,369	3,112
Loans Receivable	1,152	615
Other Assets	464	408
Properties Held for Sale	97	112
Investment in Government Business Enterprises (Schedule 7)	11,731	12,299
	21,540	22,466
Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes (Note 2)	112,036	112,480
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (Notes 2 and 6)	20,085	20,016
Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers after Provisional Adjustment for CCRA Error; and Accounting Changes (Note 2)	132,121	132,496

Contingent Liabilities (Note 11) and Commitments (Note 12)
See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Statement of Cash Flows

For the year ended March 31 ($ Millions)	2002	2001 Restated
Cash Flows from (used in) Operating Activities		
Surplus for the Year	**375**	1,902
Adjustments for:		
Income from Investment in Government Business Enterprises (Schedule 7)	**(3,345)**	(3,855)
Remittances from Government Business Enterprises (Schedule 7)	**3,913**	3,464
Decrease in Liability for Retirement Benefits	**(932)**	(2,129)
Decrease in Accounts Payable and Accrued Liabilities	**(1,519)**	(195)
Increase (Decrease) in Provision for Electricity Sector (Note 6)	**(122)**	263
Other Items	**(318)**	262
Cash Flows from (used in) Operating Activities	**(1,948)**	(288)
Cash Flows from (used in) Financing Activities		
Debt Issued for Provincial Purposes	**12,545**	10,002
Debt Retired for Provincial Purposes	**(10,746)**	(10,346)
Increase (Decrease) in Deposits with the Province of Ontario Savings Office	**(44)**	(330)
Cash Flows from (used in) Financing Activities	**1,755**	(674)
Net Decrease in Cash and Cash Equivalents	**(193)**	(962)
Cash and Cash Equivalents at Beginning of Year	**5,920**	6,882
Cash and Cash Equivalents at End of Year	**5,727**	5,920

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Notes to the Financial Statements

(all tables in millions of dollars)

1. Summary of Significant Accounting Policies

General

These financial statements reflect accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the *CICA Handbook* for private and public sector corporations in Canada.

Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations that are accountable for the administration of their financial affairs and resources, either to a minister of the government or directly to the Legislature, and that are owned or controlled by the government. All of these organizations that meet one of the following criteria are individually consolidated: i) revenues, expenditures, assets or liabilities greater than $50 million or ii) outside sources of revenues, deficit or surplus greater than $10 million. A listing of these organizations is provided in Schedule 6. The activities of all other organizations are reflected in these financial statements through the accounts of the ministries responsible for them. Trusts administered by the government on behalf of other parties are excluded from the reporting entity but are disclosed in Note 13.

Principles of Consolidation

Government organizations, except for government business enterprises, are consolidated on a line-by-line basis with the Consolidated Revenue Fund in these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organization accounts and transactions.

Government business enterprises are defined as those government organizations that (i) have the financial and operating authority to carry on a business, (ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations and (iii) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government enterprises are recorded in the financial statements using the modified equity method. Under this method, government enterprises are reported in accordance with the accounting principles generally accepted for business enterprises. Their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Statement of Financial Position and their combined net income is shown as a separate item on the Statement of Revenue, Expenditure and Net Debt.

Special reporting status is accorded to the Ontario Electricity Financial Corporation (OEFC), a government organization. The financial statements report the net impact of OEFC's excess (shortfall) of revenues over expenses as Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers and its Unfunded Liability as Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers in the Statement of Revenue, Expenditure and Net Debt. This accounting reflects the legislative structure put in place to ensure OEFC's revenues are derived from electricity sector ratepayers and not taxpayers, and that these revenues can be used only to service and retire OEFC debt. Further information on this can be found in Note 6.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements and notes thereto exists in the accruals for pension obligations, personal income tax, corporations tax, restructuring charges and the stranded debt from electricity sector restructuring.

The nature of the uncertainty in the pension accrual arises because actual results may differ significantly from the Province's best estimates of expected results. Uncertainty related to the accrual for personal income tax and corporations tax arises because of the possible differences between the estimated and actual economic growth and future tax assessments on taxes receivable. Uncertainty exists with respect to restructuring charges as the actual expenditures, incurred in the transfer and restructuring of certain programs and services, may differ from the initial estimates of expected costs.

Uncertainty in the stranded debt from electricity sector restructuring arises from the numerous estimates and assumptions made about the future defeasance of this debt. As well, certain future indemnities remain to be determined, including those related to the Ontario Nuclear Funds Agreement (Note 11).

Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

Revenue

Revenues are recognized in the fiscal year that the events to which they relate occur. Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are deferred and reported as liabilities.

Expenditure

Expenditures are recognized in the fiscal year to which they relate.

Grants are recognized in the period during which the expenditure is authorized, all eligibility criteria are met and a reasonable estimate of the amount can be made.

The retirement benefits expenditure (including pensions) comprises the government's share of the cost of retirement benefits earned by employees during the year, interest on the net retirement benefits liability (surplus), amortization of any experience gains or losses and the initial unfunded liability for jointly sponsored plans, less contributions made by the employees for solely sponsored plans and other adjustments. The estimated total cost of the government's share of plan amendments related to past service is recorded as an expenditure in the year the plan is amended, offset by recognition of unamortized experience gains if they exist.

For significant capital leases entered into by the Province, an amount equal to the present value of the minimum lease payments required over the term of the lease is recorded as an expenditure at the inception of the lease, with an offsetting liability recorded for the lease obligation.

Liabilities

Liabilities are recorded to the extent that they represent obligations of the government to outside parties as a result of events and transactions occurring prior to the year-end.

Liabilities include probable losses on loan guarantees issued by the government, and contingencies when it is likely that a loss will be realized and the amount can be reasonably determined.

Liabilities include obligations to government business enterprises.

Debt Issued for Provincial Purposes and Debt Issued for Investment in Electricity Sector

Debt is comprised of treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.

Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

Interest on Debt Issued for Provincial Purposes and Debt Issued for Investment in Electricity Sector includes i) interest on outstanding debt; ii) amortization of foreign exchange gains or losses; iii) amortization of debt discounts, premiums and commissions; iv) amortization of deferred hedging gains and losses; and v) interest income on investments and loans.

The Province uses derivative financial instruments (derivatives) for the purposes of minimizing interest costs and risk management. Derivatives are financial contracts, the value of which are derived from underlying assets. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Retirement Benefits

The retirement benefits liability comprises the government's share of the value of retirement benefits attributed to services rendered by employees and former employees, unamortized experience gains or losses, various adjustments for items such as different fiscal year-ends between the retirement benefits plans and the Province, unamortized initial unfunded liability for jointly sponsored plans, unamortized balances related to temporary deviation from the plans and contributions payable by the Province that are reflected in the plan assets, less the government's share of the assets of the plans.

The retirement benefits liability is calculated on an actuarial basis using the government's best estimate of future inflation rates, investment returns, employee salary levels and other underlying assumptions. When actual plan experience differs from that expected, or when assumptions are revised, gains and losses arise. These gains and losses are amortized over the average remaining service life of plan members.

Financial Assets

Financial assets include cash and claims by the Province arising from events and transactions occurring prior to the year-end.

Temporary investments are recorded at the lower of cost or fair value.

Properties held for sale are stated at the lower of cost and net realizable value. Costs include acquisition costs, property taxes, development costs, capitalized interest and administrative costs, less net interim property rents and expenditures.

Investment in Government Business Enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under Principles of Consolidation.

Loans receivable with significant concessionary terms are recorded at the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expenditure at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan. Loans receivable include amounts owing from government business enterprises.

Tangible Capital Assets

The Exposure Draft on the Government Reporting Model, issued by PSAB in April 2002, recommends proposed changes to the financial reporting standards for tangible capital assets. Beginning in fiscal year 2002-03, the Province will report its investment in major tangible capital assets that are owned by the Province consistent with the recommendations in this Exposure Draft. Under this approach major tangible capital assets owned by the Province will be reported on the Statement of Financial Position, and their cost will be amortized over their useful life and recorded as amortization expense in the financial statements.

The Province intends to take a phased in approach and will initially report land, buildings and transportation infrastructure in fiscal year 2002-03, with the remaining tangible capital assets owned by the Province being reported in subsequent fiscal years. It is estimated that more than ninety percent of the tangible capital assets owned by the Province will be captured under the land, buildings and transportation infrastructure categories.

In the interim, except for government business enterprises that capitalize assets purchased or constructed, the Province continues to charge the full cost of tangible capital assets to operations in the year of purchase or construction. The tangible capital assets of government business enterprises are included in the Statement of Financial Position under Investments in Government Business Enterprises.

Trust Funds

Trust funds that have been deposited into the Consolidated Revenue Fund are included in Other Liabilities on the Statement of Financial Position.

2. Accounting Changes

These financial statements reflect both a correction of an error and accounting policy changes.

CCRA Error

An error was made by the Canada Customs and Revenue Agency (CCRA) which resulted in overpayments of personal income tax revenue to the province in prior years. (The CCRA collects and administers the personal income tax of all provinces except Quebec.) The federal government announced on January 29, 2002, that they had not properly deducted the provincial portion of capital gains refunds paid to mutual fund trusts from the Personal Income Tax revenue remitted to provinces. The federal government intends to recover $1,330 million for taxation years from 1997 to 1999. As well, when the federal error relating to mutual fund trusts became known, the Ministry provisionally recognized that $713 million of the estimated receivable relating to trust income taxes would not be collectable and accordingly restated the 2000-01 amounts in its 2001-02 financial statements.

Ontario disagrees with the position taken by CCRA and Canada on this matter. However, in these financial statements the CCRA error has been accounted for in a manner that is consistent with Public Sector Accounting Board Recommendations.

The manner in which the province has accounted for CCRA's and Canada's failure in allocation of personal income taxes to Ontario is without prejudice to any claim, demand, application, action, representation, legal proceeding or other such statement or step as may be taken by Ontario against CCRA, Canada, or both of them, in respect of this specified failure. Furthermore, the content of the Public Accounts of Ontario presented herein do not estop Ontario from instituting any claim, application, action or other legal proceeding against CCRA, Canada, or both of them, or from making any such demand, representation or such other statement in respect of this failure by CCRA, Canada, or both of them.

In addition, nothing in the Public Accounts of Ontario estops Ontario from making any claim, demand, application, action, negotiation, representation, legal proceeding or other such statement or step as may be taken by Ontario in respect of any other matter in the collection and remission of personal income taxes by CCRA or Canada to Ontario and the Public Accounts of Ontario are therefore presented without prejudice to any such claim, demand, application, action, representation, legal proceeding or other such statement or step as may be taken by Ontario against CCRA, Canada, or both of them.

Accounting Policy Changes

During fiscal year 2001-02 the Province changed its accounting policy for pensions and other retirement benefits in accordance with new recommendations issued by PSAB in September 2001. Under the new policy, the cost of plan amendments is effectively amortized by offsetting it against any unamortized gains. Another change is the recognition of the cost of retirement benefits other than pensions (e.g. medical, dental) when earned by employees rather than when paid out.

Ontario Power Generation Inc. (OPG) which is accounted for as a government business enterprise, restated their net income and opening retained earnings for calendar year 2000 to reflect a change in accounting policy for pensions and other retirement benefits. This resulted in a corresponding restatement for the Province.

The net impact of the provisional adjustment for CCRA error and accounting changes was to decrease the surplus for fiscal year 2000-2001 from $3,325 million to $1,902 million and to increase Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring at March 31, 2001 from $130,424 million to $132,496 million as shown in the following table:

Accounting Changes Fiscal year ended March 31	2001
Net Provincial Debt - beginning of year as previously reported	$ 113,715
Increase in Net Provincial Debt:	
Provisional Liability for CCRA Error[1]	1,330
Retirement benefits[2]	(681)
	649
Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes - beginning of year as restated (a)	**114,364**
Surplus - as previously reported	3,325
Decrease in Surplus:	
Provisional Adjustment for CCRA Error[1]	(713)
Retirement benefits[2]	(484)
Adjustment to Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers[3]	(226)
	(1,423)
Surplus after Provisional Adjustment for CCRA Error; and Accounting Changes - as restated (b)	**1,902**
Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers - as previously reported	244
Adjustment to Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers[3]	(226)
Decrease in Stranded Debt from Electricity Sector Restructuring to be recovered from ratepayers - as restated (c)	**18**
Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes - end of year as restated (a-b+c)	**112,480**
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers - end of year as previously reported	19,790
Adjustment to Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers[3]	226
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers - end of year as restated	**20,016**
Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers after Provisional Adjustment for CCRA Error; and Accounting Changes - end of year as restated	**$ 132,496**

1 Provisional Adjustment for CCRA error. This change has the effect of increasing Net Provincial Debt at April 1, 2000 and increasing liabilities to the federal government at March 31, 2001 by $1,330 million; decreasing fiscal year 2000-01 personal income tax revenue by decreasing accounts receivable from the federal government by $713 million; and increasing Net Provincial Debt at March 31, 2001 by $2,043 million.

2 Retirement benefits. This change has the effect of decreasing Net Provincial Debt at April 1, 2000 by $681 million; increasing fiscal year 2000-01 retirement benefits expenditure by $484 million; and decreasing Net Provincial Debt and retirement benefits liability at March 31, 2001 by $197 million.

3 Ontario Power Generation Inc. This change has the effect of decreasing Income from Investment in Government Business Enterprises, the Provision for Electricity Sector expenditure, the Provision for Electricity Sector liability and the Investment in Government Business Enterprises by $145 million; decreasing OEFC's payments-in-lieu by $81 million and increasing Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers by $226 million.

3. Debt Issued for Provincial Purposes

The Province borrows in both domestic and international markets, largely to refinance maturing debt. The following table presents the maturity schedule of the Province's outstanding debt, by currency of repayment, expressed in Canadian dollars.

Debt Issued for Provincial Purposes

As at March 31

Currency[1]	Canadian Dollar	U.S. Dollar	Japanese Yen	Euro[2]	Other Currencies[3]	2002 Total	2001 Total
Fiscal Year Payable							
2002							$ 11,082
2003	$ 6,326	7,140	171	-	887	**$ 14,524**	11,606
2004	6,312	156	222	1,246	249	**8,185**	8,215
2005	8,512	1,405	595	310	536	**11,358**	9,864
2006	8,974	5,558	676	46	-	**15,254**	13,546
2007	6,388	420	460	-	-	**7,268**	-
1-5 years	36,512	14,679	2,124	1,602	1,672	**56,589**	54,313
6-10 years	19,391	2,769	1,162	1,709	207	**25,238**	24,287
11-15	3,586	-	-	-	-	**3,586**	5,795
16-20	2,213	-	-	-	-	**2,213**	1,873
21-25	7,473	-	-	-	-	**7,473**	6,033
26-50[4]	12,493	-	-	-	-	**12,493**	13,492
Total[5]	$ 81,668	17,448	3,286	3,311	1,879	**$ 107,592[6]**	$ 105,793
The effective interest rates[1], (weighted average) as at March 31, on the above debt are:							
2002	**8.02%**	**7.46%**	**6.32%**	**6.91%**	**6.37%**	**7.81%**	
2001	8.51%	8.10%	6.73%	6.91%	6.41%		8.27%

1. The balances and interest rates above reflect the effect of related derivative contracts, as discussed in Note 4 (Risk Management and Derivative Financial Instruments).
2. Euro includes debt issued in legacy currencies, i.e., Deutsche Mark, French Franc and Netherlands Guilders.
3. Other Currencies comprise: Australian Dollar, Norwegian Kroner, New Zealand Dollar, Pound Sterling and Swiss Franc.
4. The longest term to maturity is to March 1, 2045.
5. Total for all foreign currency denominated debt as at March 31, 2002, was $25.9 billion (2001, $27.3 billion); of that, $24.0 billion or 92.6% (2001, $25.3 billion or 92.7%) was fully hedged to Canadian dollars.
6. Total debt includes issues totalling $2.1 billion which have embedded options exercisable by either the Province or the bond holder under specific conditions.

Debt Issued for Provincial Purposes As at March 31	2002	2001
Debt Payable to:		
Public Investors	**$ 79,876**	$ 76,929
Ontario Teachers' Pension Plan	**11,043**	11,535
Canada Pension Plan Investment Fund	**10,063**	10,442
Public Service Pension Plan	**3,331**	3,446
OPSEU Pension Plan	**1,582**	1,637
Canada Mortgage and Housing Corporation	**1,116**	1,147
The Ontario Municipal Employees' Retirement Fund	**502**	569
Colleges of Applied Arts and Technology Pension Plan	**73**	81
Ryerson Retirement Pension Plan	**6**	7
Total Debt Issued for Provincial Purposes	**$ 107,592**	$ 105,793

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the Province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of Debt Issued for Provincial Purposes at March 31, 2002 was $119.8 billion (2001, $121.2 billion). This is higher than the book value of $107.6 billion (2001, $105.8 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

4. Risk Management and Derivative Financial Instruments

The Province employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives for the purpose of hedging and minimizing interest cost. Hedges are created primarily through swaps, which are legal arrangements under which the Province agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows the Province to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, the Province uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency cash flows to reach a maximum of 5 per cent of Debt Issued for Provincial Purposes, Debt Issued for Investment in the Electricity Sector and deposits with the Province of Ontario Savings Office. At year-end, 1.6 per cent (2001, 1.7 per cent) of this debt was unhedged, with most of the currency exposure to U.S. dollars. A one cent increase in the U.S. dollar versus the Canadian dollar would result in an increase of Public Debt Interest (PDI) expense by $5 million.

Interest rate resetting risk is the sum of floating rate exposure, net of liquid reserves, and fixed rate debt maturing within the next 12-month period as a percentage of Debt Issued for Provincial Purposes, Debt Issued for Investment in the Electricity Sector and deposits with the Province of Ontario Savings Office. Depending on market conditions, the Province creates or reduces its exposure to interest rate changes by issuing or retiring short term debt, or by entering into or closing out derivative positions. The current policy allows interest rate resetting risk to reach a maximum of 25 per cent of the above liabilities. As at March 31, 2002, interest rate resetting exposure was 12.5 per cent. (2001, 9.7 per cent). A one percent (100 basis points) increase in interest rates would result in an increase of Public Debt Interest expense by $80 million.

Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, i.e., cash and temporary investments (Note 10), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has short-term note programs as alternative sources of liquidity.

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding at March 31, 2002, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit or market risk and are not representative of actual cash flows.

Derivative Portfolio Notional Value

As at March 31								**2002**	**2001**
Maturity in Fiscal Year	2003	2004	2005	2006	2007	6–10 years	over 10 years	Total	Total
Swaps:									
Interest rate	$ 10,068	2,546	3,928	9,871	1,987	11,441	1,404	**$ 41,245**	$ 40,357
Cross currency	8,443	3,699	4,174	6,889	1,540	4,442	-	**29,187**	33,445
Forward foreign exchange contracts	1,252	-	-	-	-	-	-	**1,252**	1,090
Futures	171	-	-	-	-	-	-	**171**	769
Total	$ 19,934	6,245	8,102	16,760	3,527	15,883	1,404	**$ 71,855**	$ 75,661

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2002.

Credit Risk Exposure As at March 31	2002	2001
Gross credit risk exposure[1]	$ 4,156	$ 4,899
Less: Netting agreements[2]	(2,146)	(2,002)
Net Credit Risk Exposure[3]	$ 2,010	$ 2,897

1 Gross credit risk exposure includes credit exposure on swaps, options, futures, forward rate agreements and forward foreign exchange agreements.

2 Contracts do not have coterminous settlement dates. However, master agreements provide for close out netting.

3 Total exposure to counterparties with positive exposure (meaning that counterparties owed the Province) was $4,156 million (2001, $4,899 million) and the total negative exposure to these counterparties (meaning that the Province owed the counterparties) was $2,146 million (2001, $2,002 million) for a total unrealized net asset of $2,010 million (2001, $2,897 million).

The Province manages its credit risk exposure from derivatives by entering into contractual agreements ("master agreements") that provide for termination netting and if applicable payment netting with virtually all of its counterparties. The gross credit risk exposure represents the amount of loss that the Province would incur if every counterparty to which the Province had credit risk exposure were to default at the same time, and the contractual netting provisions could not be exercised. The net credit risk exposure includes the mitigating impact of these netting provisions. The Province also manages its credit risk exposure by regularly monitoring compliance with credit and risk limits and by dealing only with counterparties with high credit ratings.

5. Debt Issued for Investment in the Electricity Sector

Debt Issued for Investment in the Electricity Sector represents debt of $8.9 billion (2001, $8.9 billion), payable to the Ontario Electricity Financial Corporation (OEFC), which bears interest at 5.85 per cent, payable monthly, with maturities due from 2039 to 2041.

On April 1, 1999, pursuant to the *Energy Competition Act, 1998,* Ontario Hydro was continued as the OEFC and the respective business units (including assets, liabilities, employees, rights and obligations of the former Ontario Hydro) were transferred to Ontario Power Generation Inc. (OPG), Hydro One Inc. (HOI), their subsidiaries, and the Independent Electricity Market Operator (IMO) in exchange for debt payable to the OEFC. On the same day, the Province assumed $8.9 billion of debt payable to the OEFC in exchange for an investment of $5.1 billion and $3.8 billion in the equity of OPG and HOI respectively. The Province's annual interest on this debt amounts to $520 million.

In addition, as at March 31, 2002, the Province, on behalf of the OEFC, had issued debt amounting to $12.9 billion (2001, $11.1 billion). The proceeds of such borrowings have been advanced to OEFC in exchange for bonds with like terms and conditions.

6. Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers

The OEFC assumed approximately $38.1 billion in total liabilities from the former Ontario Hydro on April 1, 1999. The OEFC received notes from the Province, OPG, HOI and the IMO amounting to $17.2 billion and other assets of $1.5 billion. The difference of approximately $19.4 billion represented "stranded debt", defined for financial statement purposes as the amount of debt and other liabilities of OEFC that cannot reasonably be serviced and retired in a competitive electricity market. This stranded debt is included on the Statement of Financial Position as Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers.

Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers **As at March 31**	**2002**	**2001 Restated**
Balance at beginning of year	**$ 20,016**	$ 19,787
Adjustment during the year re: transfer of working capital to OPG and HOI	**–**	247
Adjusted balance	**20,016**	20,034
Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (see table below)	**(69)**	18
Balance at end of year	**$ 20,085**	$ 20,016

Under the *Electricity Act, 1998*, revenues of OEFC are applied to cover costs of operations and debt retirement. The government has a long-term plan in place to retire the OEFC debt from within the electricity sector. A legislated structure has been implemented to ensure that the OEFC's revenues are derived strictly from the electricity sector and not from taxpayers, and to ensure that these revenues are used to service and retire OEFC debt and not used by the Province.

The government's long-term plan is to repay OEFC's obligations from the following sources:

- Notes receivable of $8.9 billion (2001, $8.9 billion) from the Province, $3.2 billion (2001, $3.3 billion) from OPG, $2.9 billion (2001, $3.4 billion) from HOI, and $78 million (2001, $78 million) from IMO, for a total of $15.1 billion (2001, $15.7 billion);

- Payments-in-lieu (PILs) of corporate income, property and capital taxes made by OPG, HOI and municipal electric utilities (MEUs), which amounted to $387 million this year (2001, $907 million).

- A Debt Retirement Charge, to be paid by ratepayers based on consumption of electricity was implemented on May 1, 2002 upon the opening of the electricity market to competition. Prior to this opening, OEFC received $1,296 million (2001, $748 million) this fiscal year from revenue pool residual income. This pool, managed by OPG, collects revenues from electricity consumers and allocates revenue to OPG, HOI, and IMO, with the residual going to OEFC.

- A Provision for Electricity Sector, whereby the combined net income of OPG and HOI in excess of the Province's annual interest on Debt Issued for Investment in Electricity Sector of $520 million, is set aside for the retirement of OEFC's debt. In fiscal year 2001–02 the net income (loss) of OPG and HOI amounted to $(167) million (2001,

$397 million) and $346 million (2001, $386 million) respectively, resulting in a nil provision this year (2001, $263 million). However, the Provision for Electricity Sector liability was reduced this year by $122 million as a result of settlement of a working capital adjustment that OEFC owed to HOI. Instead of requiring OEFC to make a cash transfer, HOI agreed to reduce its shareholder's equity account by $122 million. The Province (as sole shareholder of HOI) reduced its Investment in Government Business Enterprises with an offsetting decrease in the Provision for Electricity Sector liability. OEFC in turn has reduced its Due from Province account in exchange for the Province settling its liability to HOI.

Based on the long-term plan, it is estimated that the OEFC's obligations will likely be defeased in the year 2012.

OEFC's excess of expenses over revenue, for the year ended March 31, 2002, is reflected on the Province's Statement of Revenue, Expenditure and Net Debt, as Increase in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers, and is comprised of the following:

OEFC Revenues and Expenses For the year ended March 31	**2002**	**2001 Restated**
Revenue		
Revenue Pool Residual	$ 1,296	$ 748
Interest	1,028	1,070
Power Sales	815	695
Payments-in-lieu of tax	387	907
Electricity Sector Dedicated Income	-	263
Other	18	27
	3,544	3,710
Expenses		
Interest	2,489	2,671
Power purchases	815	695
Other	309	326
	3,613	3,692
Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers	$ (69)	$ 18

See Volume 2 of the Public Accounts of Ontario for the complete financial statements of OEFC.

7. Deposits with the Province of Ontario Savings Office

The Province of Ontario Savings Office (POSO) accepts deposits from the general public, government and other public bodies. These deposits form part of the Consolidated Revenue Fund and are direct liabilities of the Province. The Ontario Financing Authority operates POSO as agent of the Minister of Finance.

8. Retirement Benefits

Retirement Benefits Liability (Asset) As at March 31	2002 Pensions	2002 Other Retirement Benefits	2002 Retirement Benefits	2001 Restated Retirement Benefits
Obligation for retirement benefits	$ 47,692	$ 1,966	$ 49,658	$ 44,517
Less: plan fund net assets	(54,203)	-	(54,203)	(51,911)
Unamortized experience gains	4,952	-	4,952	8,592
Adjustments (see below)	1,378	-	1,378	1,519
Retirement Benefits Liability	**$ (181)**	**$ 1,966**	**$ 1,785**	$ 2,717

Adjustments in the above table are made for the following:

i) amounts reported by the plans at December 31, instead of the Province's year-end of March 31;

ii) unamortized initial unfunded liability for jointly sponsored plans for unfunded liability related to periods before the plans became jointly sponsored plans,

iii) unamortized balances related to temporary deviation from the plans (e.g., contribution reduction); and

iv) contributions payable by the Province that are reflected in the plan assets.

Retirement Benefits Expenditure (Revenue) For the year ended March 31	2002 Pensions	2002 Other Retirement Benefits	2002 Retirement Benefits	2001 Restated Retirement Benefits
Cost of retirement benefits	$ 1,239	$ 46	$ 1,285	$ 1,058
Amortization of experience gains	(520)	-	(520)	(857)
Employee contributions	(119)	-	(119)	(111)
Cost of plan amendment	2,279	-	2,279	64
Recognition of unamortized experience gains	(2,279)	-	(2,279)	(64)
Interest	(532)	118	(414)	(380)
Adjustments (see below)	(127)	-	(127)	(145)
Total Retirement Benefits Expenditure (Revenue)	$ (59)	$ 164	$ 105	$ (435)

Adjustments in the above table are made for the following:

i) amortization of initial unfunded liability for jointly sponsored plans for unfunded liability related to periods before the plans became jointly sponsored plans, and

ii) amortization of temporary deviation from the plans.

Pensions

The Province is responsible for sponsoring several pension plans. The most significant plans are the Public Service Pension Plan (PSPP), the Ontario Public Service Employees' Union (OPSEU) Pension Plan, and the Ontario Teachers' Pension Plan (OTPP).

These three plans are defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to the Consumer Price Index to provide protection against inflation. Plan members and the Province are each responsible for matching contributions to the plans of between seven and nine per cent of the member's salary per annum.

Funding of these plans is based on statutory actuarial funding valuations undertaken at least every three years. The Province contributed $645 million to the OTPP in fiscal year 2001-02 (2001, $635 million), $57 million to PSPP (2001, $144 million) and $247 million to the OPSEU Pension Plan (2001, $157 million). During the calendar year 2001, the OTPP paid benefits including transfers to other plans of $3,080 million (2000, $2,541 million), the PSPP paid $741 million (2000, $722 million) and the OPSEU Pension Plan paid $428 million (2000, $452 million). Under partnership agreements between the Province and OPSEU, and between the Province and the Ontario Teachers' Federation (OTF), gains and losses arising after January 1, 1993 from the statutory actuarial funding valuations are shared equally by the partners.

The Province had also committed to make additional payments over 40 years to eliminate the unfunded liabilities of all three plans that were identified in the January 1, 1990 statutory valuations. As at March 31, 2002, the unfunded liabilities of all three plans have been eliminated.

The government's best estimate of the future inflation rate used in the pension calculation is 2.5 per cent, the salary escalation rate is 3.5 per cent, the discount rate and the expected rate of return of pension plan assets are 7 per cent for OTPP, 6.5 per cent for PSPP and 6.75 per cent for the OPSEU Pension Plan. Experience gains are amortized over 12 to 13 years.

The Province is also responsible for sponsoring the Ontario Teachers' Retirement Compensation Arrangement and the Public Service and OPSEU Supplementary Benefit Plans. Expenditures and liabilities of these plans are included in the Pension Expenditure and Pension Liability reported in the financial statements.

During the year, in accordance with the 1998 agreement between partners of the OTPP, the OTF amended the plan to use $6.1 billion of the plan surplus for benefit improvements. These improvements included a permanent Factor 85 early retirement program, lowering the eligibility for a reduced pension to age 50 from age 55 and a reduction in the offset for Canada Pension Plan (CPP) benefits. The government's share of past service cost of this amendment of $2,279 million is included in fiscal year 2001-02 Pension Expenditure, fully offset by recognition of unamortized experience gains of $2,279 million.

Retirement Benefits Other Than Pensions

The Province provides dental, basic life insurance, supplementary health and hospital plans to retired employees through a self-insured, unfunded defined benefit plan. The Province contributed $88 million to the plan in fiscal year 2001-02 (2001, $75 million). The discount rate used in the other retirement benefits calculation was 6.25 per cent.

9. Other Liabilities

Other Liabilities As at March 31	2002	2001
Deferred Revenue:		
Federal Transfers	$ 383	$ 953
Vehicle & Driver Licences	199	200
Other	191	153
Total Deferred Revenue	773	1,306
Funds	939	958
Other Liabilities	$ 1,712	$ 2,264

Other Liabilities include deferred revenues, pension and benefit funds related to the Provincial Judges Pension Fund and the Deputy Ministers' Supplementary Benefit Account, externally restricted funds and other miscellaneous liabilities.

Deferred Revenue—Federal Transfers

Revenue Recognized

For the year ended March 31	2000	2001	2002	2003	2004	Total Transfer Received
1999–2000 CHST Supplement	$ 755	378	190	-	-	$ 1,323
2000–2001 CHST Supplement	-	379	190	191	192	952
Medical Equipment Trust	-	190	190	-	-	380
Total	$ 755	947	570	191	192	$ 2,655

The Canada Health and Social Transfer (CHST) Supplements and Medical Equipment Trust are federal transfers received by the Province that are intended to provide funding for provincial expenditures over several accounting periods. Accordingly, they are recognized as revenue by the Province in the periods identified by the federal government. These federal transfers have been used to fund health care expenditures, including grants to hospitals for the purchase of medical equipment.

The Province provides a two-year vehicle licence plate and a multi-year (up to five years) driver licence renewal option. Amounts received under these options are recognized as revenue over the periods covered by the licences.

10. Cash and Temporary Investments

Cash and Temporary Investments As at March 31	2002	2001
Cash	$ (944)	$ (1,000)
Temporary investments	5,569	5,710
Add: assets purchased under resale agreements	2,566	1,778
Less: assets sold under repurchase agreements	(1,464)	(568)
	6,671	6,920
Total Cash and Temporary Investments	$ 5,727	$ 5,920

The fair value of temporary investments, including assets purchased and sold under resale and repurchase agreements, at March 31, 2002 is $6.7 billion (2001, $6.9 billion). Temporary investments primarily consist of investments in money market instruments and government bonds. Fair value is determined using quoted market prices.

A resale agreement is an agreement between two parties to purchase and subsequently resell a security at a specified price on a specified date. A repurchase agreement is an agreement between two parties to sell and subsequently repurchase a security at a specified price on a specified date.

11. Contingent Liabilities

Obligations Guaranteed by the Province As at March 31	2002 Maximum Authorized	2002 Outstanding	2002 Provision	2001 Outstanding	2001 Provision
Debentures/Bonds and Notes of Ontario Electricity Financial Corporation	$ 16,147	$ 16,147	—	$ 19,371	—
Loans guaranteed	3,036	2,788	$ 527	2,816	$ 532
Other	75	—	—	—	—
Total	$ 19,258	$ 18,935	$ 527	$ 22,187	$ 532

The provision for loans guaranteed is based on an estimate of the likely loss arising from guarantees under the Ontario Student Support Program and is reflected in the Accrued Liabilities for Transfer Payments (Schedule 4).

Ontario Nuclear Funds Agreement

During the fiscal year, the Province and Ontario Power Generation Inc. (OPG), a wholly owned subsidiary, entered into the Ontario Nuclear Funds Agreement (ONFA), to establish, fund, and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and long-term nuclear waste management. The ONFA is expected to become effective during the remainder of 2002, once certain pre-condition agreements have been executed.

Under the ONFA, the Province would be liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds, for a fixed volume of used fuel. The likelihood and estimate of future provincial liabilities cannot be determined at this time because the value of future cost estimates is uncertain.

The Province would also provide a financial guarantee to the Canadian Nuclear Safety Commission (CNSC), as required by the federal Nuclear Safety and Control Act, for nuclear station decommissioning and nuclear waste management liabilities. This guarantee relates to the portion of the liabilities not funded by the segregated funds. In return, the Province will receive from OPG a fee equal to 0.5% of the value of the guarantee. It is expected that the CNSC will finalize the amount of the financial guarantee required before the end of calendar 2002 and that the financial guarantee will be provided before the end of the next fiscal year.

Provincial Guarantees of Ontario Electricity Financial Corporation

During the year OEFC paid the Province a fee of $153 million (2001, $157 million), for the provision of the debt guarantee.

Social Housing - Loan Insurance Agreements

For all non-profit housing projects in the provincial portfolio, the Province is liable to indemnify and reimburse CMHC for any net costs, including any environmental liabilities, incurred as a result of defaults of projects, directly or indirectly, through the Ministry of Municipal Affairs and Housing or the Ontario Housing Corporation.

At March 31, 2002, there were $9.5 billion (2001, $10.4 billion) of mortgage loans outstanding. As operating subsidies provided are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims Against the Crown

There are claims outstanding against the Crown of which 64 are for amounts over $50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

12. Commitments

The nature of the government's activities results in significant multi-year contracts and obligations. Major commitments that can be reasonably estimated are summarized as follows:

Commitments As at March 31	2002	2001
Transfer payments	$ 7,022	$ 7,240
Leases	1,021	891
Construction contracts	1,429	1,665
Other	4,711	2,424
Total Commitments	$ 14,183	$ 12,220

The following table summarizes the information presented above to indicate the minimum amounts required to satisfy obligations under commitments each year from 2003 to 2007 inclusive, and a total for amounts due in the year 2008 and subsequent years.

Schedule of Minimum Payments
As at March 31

Minimum Payments to be Made in:	Transfer Payments	Leases	Construction Contracts	Other	Total
2003	$ 818	$ 177	$ 374	$ 1,702	$ 3,071
2004	564	160	186	961	1,871
2005	516	117	857	620	2,110
2006	477	81	8	348	914
2007	344	63	4	289	700
2008 and thereafter	4,303	423	-	791	5,517
Total	$ 7,022	$ 1,021	$ 1,429	$ 4,711	$ 14,183

13. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration is provided below.

Workplace Safety and Insurance Board As at December 31	2001	2000
Assets	$ 11,576	$ 11,395
Liabilities	17,233	17,070
Unfunded Liability	(5,657)	(5,675)
Revenues	3,472	3,880
Expenditures	3,454	3,153
Surplus	18	727
Unfunded Liability, Beginning of Year	(5,675)	(6,402)
Unfunded Liability, End of Year	$ (5,657)	$ (5,675)

Other Trust Funds
As at March 31, 2002

	Assets	Liabilities	Fund Balance/ (Unfunded Liability)
The Public Guardian and Trustee for Province of Ontario	$ 1,031	$ 978	$ 53
Motor Vehicle Accident Claims Fund	$ 32	$ 108	$ (76)

As at December 31, 2001	Assets	Liabilities	Fund Balance
Deposit Insurance Corporation of Ontario	$ 42	$ 13	$ 29

Any unfunded liability of trusts under administration are not included in the province's financial statements as they are the responsibility of external parties. The most recent financial statements of these trusts are reproduced in Volume 2 of the Public Accounts of Ontario.

14. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 2002 presentation.

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Province of Ontario

Schedule 1: Revenue

For the year ended March 31 ($ Millions)	Budget 2002	Actual 2002	Actual 2001 Restated
Taxation			
Personal Income Tax	18,010	**19,097**	17,911
Retail Sales Tax	14,340	**13,803**	13,735
Corporations Tax	8,340	**6,646**	9,200
Employer Health Tax	3,620	**3,502**	3,424
Gasoline Tax	2,300	**2,192**	2,172
Tobacco Tax	620	**703**	504
Land Transfer Tax	670	**665**	642
Fuel Tax	655	**659**	648
Other Taxation	265	**371**	333
	48,820	**47,638**	48,569
Government of Canada			
Canada Health and Social Transfer	5,630	**5,831**	4,138
Canada Health and Social Transfer Supplements	380	**380**	757
Social Housing	530	**524**	541
Medical Equipment Trust	190	**190**	190
Indian Welfare Services Agreement	117	**123**	131
Young Offenders Act	55	**118**	1
Bilingualism Development	64	**61**	64
Employability Assistance for People with Disabilities	39	**72**	63
Other	354	**455**	244
	7,359	**7,754**	6,129
Income from Investment in Government Business Enterprises (Schedule 7)	3,424	**3,345**	3,855
Other			
Local Services Realignment	1,223	**1,116**	1,407
Vehicle and Driver Registration Fees	925	**941**	929
Other Fees and Licences	685	**627**	660
Liquor Licence Board of Ontario Revenues	518	**530**	525
Independent Electricity Market Operator Revenue	159	**384**	344
Sales and Rentals	300	**344**	637
Royalties	240	**224**	235
Miscellaneous	617	**983**	534
	4,667	**5,149**	5,271
Total Revenue	64,270	**63,886**	63,824

Province of Ontario

Schedule 2: Expenditure

For the year ended March 31 ($ Millions)	2002	2001 Restated
Salaries and Wages	3,692	3,713
Employee Benefits	527	600
Retirement Benefits (Notes 2 and 8)	105	(435)
Transportation and Communication	407	382
Services	2,534	2,314
Supplies and Equipment	624	622
Acquisition/Construction of Physical Assets	1,062	1,121
Transfer Payments	45,021	43,432
Interest on Provincial Purpose Debt	8,509	8,896
Interest on Debt Issued for Investment in Electricity Sector (Note 5)	520	520
Provision for Electricity Sector (Notes 2 and 6)	-	263
Other Transactions	441	512
Total Expenditure	63,442	61,940

Province of Ontario

Schedule 3: Expenditure by Ministry[1]

For the year ended March 31 ($ Millions)	Budget 2002	Actual 2002	Actual 2001 Restated
Ministry			
Agriculture, Food and Rural Affairs	497	804	635
Attorney General	1,034	1,029	999
Board of Internal Economy	117	124	116
Citizenship	78	71	77
Community and Social Services	7,794	7,773	7,634
Consumer and Business Services	168	172	155
Correctional Services	708	722	688
Economic Development and Trade	106	89	81
Education	8,487	8,371	7,965
Teachers' Pension (Note 8)	(230)	42	(402)
Energy, Science and Technology	360	569	550
Environment	233	285	212
Executive Offices	21	19	21
Finance	1,547	1,470	1,414
Interest on Provincial Purpose Debt	8,795	8,509	8,896
Interest on Debt Issued for Investment in Electricity Sector (Note 5)	520	520	520
Provision for Electricity Sector (Notes 2 and 6)	4	-	263
Health and Long-Term Care	23,876	24,108	22,993
Intergovernmental Affairs	5	4	4
Labour	113	110	104
Management Board Secretariat	1,037	274	169
Public Service/OPSEU Retirement Benefits (Note 8)	30	63	(33)
Municipal Affairs and Housing	1,222	1,147	1,792
Ontario Native Affairs Secretariat	22	16	21
Natural Resources	506	508	482
Northern Development and Mines	506	446	425
Office of Francophone Affairs	5	5	4
Solicitor General	941	967	911
Tourism, Culture and Recreation	460	446	392
Training, Colleges and Universities	3,416	3,297	3,423
Transportation	1,192	1,482	1,429
Year-End Savings[2]	(300)		
Total Expenditure	63,270	63,442	61,940

[1] Ministry configuration as at March 31, 2002; does not reflect the new government structure announced in April, 2002.

[2] For Budget purposes, this item was not allocated to individual ministries.

Province of Ontario

Schedule 4: Accounts Payable and Accrued Liabilities

As at March 31 ($ Millions)	2002	2001 Restated
Interest on Provincial Purpose Debt	3,228	3,420
Transfer Payments	2,364	3,514
Salaries, Wages and Benefits	1,390	1,375
Provisional Liability for CCRA Error	1,330	1,330
Other	1,202	1,097
Restructuring	888	1,237
Deferred Hedging	149	80
Obligations Under Capital Leases	89	106
Total Accounts Payable and Accrued Liabilities	10,640	12,159

Province of Ontario

Schedule 5: Accounts Receivable

As at March 31 ($ Millions)	2002	2001 Restated
Taxes	1,997	2,677
Transfer Payments[1]	1,908	1,774
Other Accounts Receivable	442	432
Local Services Realignment	117	602
	4,464	5,485
Less: Provision for Doubtful Accounts[2]	(2,246)	(2,468)
	2,218	3,017
Government of Canada	151	95
Total Accounts Receivable	2,369	3,112

[1] The transfer payment receivable consists primarily of recoverables of $785 million (2001, $769 million) for the Ontario Disability Support Program —Financial Assistance and $987 million (2001, $865 million) for the Student Support Program.

[2] The provision for doubtful accounts includes a provision of $717 million (2001, $698 million) for the Ontario Disability Support Program-Financial Assistance and $839 million (2001, $735 million) for the Student Support Program.

Province of Ontario

Schedule 6: Government Business Enterprises and Other Government Organizations[1]

Government Business Enterprises	Responsible Ministry
Algonquin Forestry Authority (AFA)	Natural Resources
Hydro One Inc. (HOI)	Energy, Science and Technology
Liquor Control Board of Ontario (LCBO)	Consumer and Business Services
Niagara Parks Commission (NPC)	Tourism, Culture and Recreation
Ontario Clean Water Agency (OCWA)	Environment
Ontario Development Corporation (ODC)	Economic Development and Trade
Ontario Lottery and Gaming Corporation (OLGC)	Tourism, Culture and Recreation
Ontario Northland Transportation Commission (ONTC)	Northern Development and Mines
Ontario Power Generation Inc. (OPG)	Energy, Science and Technology
Other Government Organizations	
Agricorp	Agriculture, Food and Rural Affairs
Cancer Care Ontario	Health and Long-Term Care
Education Quality and Accountability Office[2]	Education
Independent Electricity Market Operator	Energy, Science and Technology
Legal Aid Ontario	Attorney General
Metropolitan Toronto Convention Centre	Tourism, Culture and Recreation
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Ontario Educational Communications Authority	Training, Colleges and Universities
Ontario Electricity Financial Corporation	Finance
Ontario Financing Authority	Finance
Ontario Housing Corporation	Municipal Affairs and Housing
Ontario Place Corporation	Tourism, Culture and Recreation
Ontario Realty Corporation	Management Board Secretariat
Ontario Science Centre	Tourism, Culture and Recreation
Ontario Securities Commission	Finance
Ontario Trillium Foundation	Tourism, Culture and Recreation
Royal Ontario Museum	Tourism, Culture and Recreation
GO Transit (Toronto Area Transit Operating Authority and Greater Toronto Transit Authority)[3]	Transportation

[1] The most recent audited financial statements of these organizations are reproduced in Volume 2 of the Public Accounts of Ontario.

[2] This organization met the criteria for consolidation in fiscal year 2001-02.

[3] On December 18, 1998 the Province gave Royal Assent to the Greater Toronto Services Board Act, 1998. Pursuant to this Act on August 7, 1999, the transit business of the TATOA, commonly known as GO Transit, was transferred to the GTTA. The transfer included all assets, liabilities, except for the rolling stock and related debt which remained with TATOA. On January 1, 2002, the GTTA was returned to the Province under the GO Transit Act, 2001.

Province of Ontario

Schedule 7: Investment in Government Business Enterprises

For the year ended ($ Millions)	AFA March 31, 2002	HOI Dec. 31, 2001	LCBO March 31, 2002	NPC Oct. 31, 2001
Assets				
Cash/Temporary Investments	2	-	80	2
Accounts Receivable	4	560	19	4
Inventories	1	56	226	5
Prepaid Expenses	-	-	9	-
Long-term Investments	-	-	-	-
Fixed Assets	2	9,103	198	136
Other Assets	2	1,512	-	-
Total Assets	11	11,231	532	147
Liabilities				
Bank Indebtedness	-	24	-	3
Accounts Payable	1	766	220	10
Dividends Payable	-	-	-	-
Notes Payable	-	410	-	-
Deferred Revenue	1	-	-	-
Long-term Debt	-	4,522	-	-
Other Liabilities	1	1,515	28	3
Total Liabilities	3	7,237	248	16
Net Assets	8	3,994	284	131
Revenue				
Revenue from Operations	25	3,466	2,940	77
Transfers from the Government	-	-	-	-
Total Revenue	25	3,466	2,940	77
Expenditure				
Expenditure from Operations	25	3,092	2,036	73
Provincial Taxes	-	-	-	-
Total Expenditure	25	3,092	2,036	73
Net Income (Loss)	-	374	904	4
Net Assets—Beginning of Year	8	4,000	285	129
Payments from (to) CRF	-	(380)	(905)	(2)
Net Assets	8	3,994	284	131

Province of Ontario

Schedule 7: Investment in Government Business Enterprises

OCWA Dec. 31, 2001	ODC March 31, 2002	OLGC March 31, 2002	ONTC Dec. 31, 2001	OPG Dec. 31, 2001	Adjustments[1]	Total
132	7	574	-	39	115	951
30	-	60	22	1,300	24	2,023
-	-	-	12	751	(5)	1,046
-	-	44	-	-	-	53
56	7	-	-	-	118	181
9	-	1,352	257	12,981	16	24,054
3	-	119	134	1,615	52	3,437
230	14	2,149	425	16,686	320	31,745
-	-	-	14	-	(26)	15
21	3	313	26	1,841	163	3,364
-	-	-	-	-	-	-
-	-	-	-	-	310	720
-	-	10	-	228	(5)	234
1	-	187	31	3,220	151	8,112
7	-	54	56	5,927	(22)	7,569
29	3	564	127	11,216	571	20,014
201	11	1,585	298	5,470	(251)	11,731
123	12	5,535	131	6,239	242	18,790
-	-	-	15	-	43	58
123	12	5,535	146	6,239	285	18,848
125	3	3,195	148	6,087	719	15,503
-	-	361	-	-	(361)	0
125	3	3,556	148	6,087	358	15,503
(2)	9	1,979	(2)	152	(73)	3,345
206	19	1,548	260	5,693	151	12,299
(3)	(17)	(1,942)	40	(375)	(329)	(3,913)
201	11	1,585	298	5,470	(251)	11,731

[1] Adjustments are made for government enterprises with a year-end other than March 31. Included in these adjustments are decreases to net income of $(319) million and $(28) million, for OPG and HOI respectively. After these adjustments, the net income (loss) for the year ended March 31, 2002 of OPG and HOI (whose year-ends are December 31) amounted to $(167) million and $346 million respectively.
An additional adjustment is made to reclassify OLGC provincial taxes to Payments to CRF.
Adjustments also include the province's 50% interest in Teranet Inc. (Teranet Inc. works to automate Ontario's land registration records, convert registry records to Land Titles and develop and market related products).

Schedule 7: Investment in Government Business Enterprises

Algonquin Forestry Authority (AFA)
The Algonquin Forestry Authority is responsible for forest management in Algonquin Park.

Hydro One Inc. (HOI)
The principal business of Hydro One is the transmission and distribution of electricity to customers within Ontario. It is regulated by the Ontario Energy Board.

Liquor Control Board of Ontario (LCBO)
The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers' Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

Niagara Parks Commission (NPC)
The Commission maintains, preserves and enhances the beauty and surroundings of the Horseshoe Falls and the Niagara River from Fort Erie to Niagara-on-the-Lake.

Ontario Clean Water Agency (OCWA)
The Agency assists municipalities in providing more cost-effective water and sewage services and encourages Ontario residents, municipalities and industries to conserve water. The Agency also finances, builds and operates water and sewage systems, as well as providing services to communities, all on a cost-recovery basis.

Ontario Development Corporation (ODC)
The Province has decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and wind down their activities. The primary objective through the wind down is to provide for the orderly realization of assets and settlement of debts maximizing the realization of assets and minimizing the negative impact on clients.

Ontario Lottery and Gaming Corporation (OLGC)
Effective April 1, 2000, the Ontario Lottery Corporation and the Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation under the *Ontario Lottery and Gaming Corporation Act, 1999*. On behalf of the Province of Ontario, the Corporation conducts lottery games and operates commercial casinos, charity casinos, and slot machines at 15 Ontario racetracks.

Ontario Northland Transportation Commission (ONTC)

The Commission provides rail, bus, ferry, air and telecommunications services to Northern Ontario.

Ontario Power Generation Inc. (OPG)

The principal business of Ontario Power Generation Inc. is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the United States northeast and midwest.

Sources of Additional Information

The Ontario Budget

The Ontario Government presents a Budget each year, usually in the early spring. This document outlines expected expenditure and revenue for the upcoming fiscal year. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access to the Ontario Budget, visit the Ministry of Finance Web site at http://www.gov.on.ca/FIN/english/budeng.htm.

The Estimates of the Province of Ontario

The government's spending Estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each Ministry and are submitted for approval to the Legislative Assembly, per the *Supply Act*. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto.

Ontario Government Business Plans

Business Plans are published annually by each ministry, following the Ontario Budget and publication of the spending Estimates. Each plan includes an annual report highlighting what each ministry has done over the previous year, what is planned for the coming year, what targets have been set and how results will be measured. It also includes a summary of the previous year's expenditure items. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access, go to http://www.gov.on.ca/MBS/english/mbs/businessplans.html.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to:
http://www.gov.on.ca/FIN/english/oecoeng.htm.

Ontario Economic Accounts

This quarterly report contains data on Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to:
http://www.gov.on.ca/FIN/english/oecoeng.htm.